

more than 10 percent of total project costs;

(2) Design and engineering costs, including costs of environmental and cultural surveys and consulting services necessary to the project and associated environmental review, siting and permit approvals; and

(3) Fees for legal and other professional services directly related to the project.

(b) *Construction costs.* Grant funds may be used for the reasonable costs of construction activities, including initial construction, installation, expansion, extension, repair, upgrades, and related activities, including the rental or lease of necessary equipment, to provide or improve energy generation, transmission, or distribution facilities or services;

(c) *Acquisitions and purchase.* Grant funds may be used for the acquisition of property, equipment, and materials, including the purchase of equipment, and materials, the acquisition or leasing of real or personal property, equipment, and vehicles associated with and necessary for project development, construction, and operation. Grant funds may be used for the acquisition of new or existing facilities or systems where such action is a cost-effective means to extend or maintain service to an eligible community or reduces the costs of such service for the primary benefit of community residents.

(d) *Grantee cost contributions.* Grant funds may be applied as matching funds or cost contributions under Federal or other programs where the terms of those programs do allow use of other Federal funds.

§ 1709.111 Limitations on use of grant funds.

(a) *Planning and administrative costs.* Not more than 4 percent of each grant award may be used for the planning and administrative expenses of the applicant that are unrelated to the grant project.

(b) *Unproven technology.* Only projects that utilize technology with a proven operating history, and for which there is an established industry for the design, installation, and service (including spare parts) of the equipment, are eligible for funding. Energy

projects utilizing experimental, developmental, or prototype technologies or technology demonstrations are not eligible for grant funds. The determination by RUS that a project relies on unproven technology shall be final.

§ 1709.112 Ineligible grant purposes.

(a) Grant funds may not be used for the costs of preparing the grant application, finders fees, fuel purchases, routine maintenance or other operating costs, or purchase of equipment, structures or real property not directly associated with providing energy services in the target community, or, except as provided in § 1709.11(d), project construction costs incurred prior to the date of the grant award.

(b) In general, grant funds may not be used to support projects that primarily benefit areas outside of eligible target communities. However, grant funds may be used to finance an eligible target community's proportionate share of a larger energy project.

(c) Grant funds may not be used to refinance or repay the applicant's outstanding loans or loan guarantees under the Rural Electrification Act of 1936, as amended.

§ 1709.113 Limitations on grant awards.

(a) The Administrator may establish minimum or maximum amount of funds that may be awarded in a single grant application within in any grant cycle in order to distribute available grant funds as broadly as possible. If the Administrator elects to impose a minimum or maximum grant amount, the limitations will be published in the grant announcement.

(b) The Administrator may restrict eligible applicants to a single award of grant funds or to a monetary cap on grant awards within a grant cycle in order to assure that the available grant funds are distributed as broadly as possible. If the Administrator elects to impose a limit or cap on grant awards, the terms will be established in the grant announcement.